

## Message Text

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PAGE 01     PARAMA 01105 091829Z  
ACTION XMB-04

INFO OCT-01 ARA-14 EUR-12 ISO-00 EB-08 COME-00 AID-05  
/044 W

-----016008 101120Z /11

R 091800Z AUG 78  
FM AMEMBASSY PARAMARIBO  
TO SECSTATE WASHDC 4556  
INFO AMEMBASSY THE HAGUE

UNCLAS PARAMARIBO 1105

E.O. 11652: N/A  
TAGS: EGEN  
SUBJ: KABALEBO PROJECT

REF: A. STATE 190667; B. PARAMARIBO 937; C. 77 PARAMARIBO 419  
D. PARAMARIBO A31.

1. POST HAS NOT YET BEEN ABLE TO CONTACT APPROPRIATE GOS OFFICIALS TO DISCUSS QUESTIONS RAISED IN REFTTEL A. GOS IS PRESENTLY PREPARING TO RECEIVE A VENEZUELAN MISSION WHICH IS COMING TO SURINAM TO DISCUSS BAXUITE PURCHASES AND THE POSSIBLE INVESTMENTS IN THE MINING OF BAUXITE IN THE BAKHUYS AREA AS A RESULT OF THE RECENTLY CONCLUDED VENEZUELAN-SURINAM BAUXITE AGREEMENT. EMBASSY WILL DISCUSS QUESTIONS WITH GOS OFFICIALS AS SOON AS POSSIBLE. MEANWHILE, THE EMBASSY WOULD LIKE TO SET FORTH THE FOLLOWING POINTS.

2. DUTCH AID OFFICIALS HAVE TOLD EMBASSY THAT MOST OF THE FINANCING OF THE RAILROAD CONSTRUCTION HAS BEEN SECURED. THE TOTAL COST OF THIS PORTION OF THE PROJECT HAS BEEN PUT AT AN ESTIMATED 200 MILLION DUTCH GUILDERS, 150 MILLION OF WHICH WILL BE FINANCED BY GON AID. SURINAM'S PORTION OF 50 MILLION DUTCH GUILDERS WILL BE FINANCED THROUGH A LOAN FROM THE ALGEMENE BANK NEDERLAND (ABN), AT 7 1/2 PERCENT WITH THE FIRST PAYMENT NOT DUE UNTIL 1983. CONSTRUCTION OF THE RAILROAD IS NOT SCHEDULED TO  
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BE COMPLETED BEFORE THE END OF 1979.

3. THE GON HAS MADE NO DECISION AS TO THE FINANCING OF THE RAILWAY'S ROLLING STOCK AT THIS TIME. THE OFFICIAL POSITION OF THE DUTCH IS THAT THIS QUESTION SHOULD BE CONSIDERED TOGETHER WITH THE FINANCING OF THE MINES AND THE HYDRO PROJECTS. CONVERSELY, THE GOS POSITION IS THAT EACH PHASE SHOULD BE CONSIDERED SEPARATELY.

THE GON HAS REQUESTED THE WORLD BANK TO UNDERTAKE SEVERAL STUDIES (REFTEL C) WHICH TO DATE HAVE NOT BEEN COMPLETED.

4. THE GOS IS NATURALLY ANXIOUS TO RESOLVE THIS QUESTION AS SOON AS POSSIBLE. IT IS EXPECTED THAT THE GON WILL BE FORCED TO MODIFY

ITS POSITION, IN VIEW OF THE SUBSTANTIAL DUTCH INVESTMENT ALREADY COMMITTED TO THE RAILROAD, AT THE NEXT MEETING OF THE CONS, THE BILATERAL COMMISSION SET UP TO DECIDE UPON PROJECTS TO BE FINANCED THROUGH DUTCH AID. THE NEXT MEETING OF THE CONS SHOULD BE HELD IN LATE 1978 OR EARLY 1979.

5. VARIOUS FEASIBILITY STUDIES ON BAUXITE MINING IN THE AREA ARE UNDERWAY; ONE BY BILLITON, A ROYAL SHELL SUBSIDIARY CURRENTLY MINING IN SURINAM; AND ANOTHER BY THE ALCOA SUBSIDIARY SURALCO. A PRELIMINARY STUDY COMPLETED BY SURALCO HAS INDICATED THAT BAUXITE MINING IS FEASIBLE IN THE BAKHUYS AREA IF THE PROJECT RECEIVES SUFFICIENT FOREIGN (DUTCH) AID.

6. AN AMERICAN FIRM, MORRISON-KNUDSEN, IS CURRENTLY BUILDING THE RAILBED AND LAYING TRACK IN WESTERN SURINAM. GIVEN THE GOS'S FAVORABLE EXPERIENCE WITH THAT CONCERN, THE GENERAL HIGH REGARD IN SURINAM FOR SURALCO, AND SURINAM'S PERCEPTION OF AMERICAN TECHNOLOGY AND EXPERTISE, COMPETITIVE AMERICAN FIRMS HAVE A GOOD OPPORTUNITY TO BECOME INVOLVED IN THESE PROJECTS.

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7. FINALLY, WHILE THE EMBASSY BELIEVES THAT THE SURINAMESE ECONOMY HAS AREAS OF WEAKNESS, IT SHOULD BE NOTED THAT SURINAM IS QUITE STABLE POLITICALLY AND SOCIALLY. SURINAM HAS SET A PRAGMATIC COURSE FOR ITS DEVELOPMENT AND IS NOT FETTERED BY IDEOLOGICAL CONTROVERSIES WHICH CHARACTERIZE OTHER STATES IN THE REGION. THE EMBASSY BELIEVES THAT THERE IS AMPLE REASON FOR CAUTIOUS OPTIMISM, GIVEN THE PROSPECTS FOR A CONTINUATION OF HIGH LEVELS OF BAUXITE EARNINGS AND THE PROMISE OF DUTCH AID AT LEAST UNTIL 1990. (SEE PARAMARIBO A-31--ANNUAL ECONOMIC TRENDS REPORT FOR 1978).

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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